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E.C. 12356: PFCL:OADR  
TAGS: CVIF (SHULTZ, GEORGE P.)  
SUBJECT: SUMMARY OF DISCUSSIONS BETWEEN THE  
SECRETARY AND CHINESE FOREIGN MINISTER WU XUEQIAN AT  
THE DIAOYUTAI GUEST HOUSE, APRIL 29, 1984

1. (C) - ENTIRE TEXT.

2. SUMMARY: FOREIGN MINISTER WU AND THE SECRETARY EACH  
MADE A ONE-HOUR PRESENTATION ON A WIDE-RANGE OF  
INTERNATIONAL AND BILATERAL ISSUES. THE LARGEST SEGMENT  
OF TIME WAS DEVOTED TO THE MID-EAST.

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CPRCE: P7CC:4/29/84  
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DRFTD: PCL:FPWARDLAW/ECCN  
ONATE:MH  
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ISSUES. HE REVIEWED OUR CONDITIONS FOR DIRECT DIALOGUE WITH THE PLO AND THE PRESIDENT'S POSITION ON PROPOSALS TO MOVE OUR EMBASSY IN TEL AVIV. HE REVIEWED THE CURRENT SITUATION IN THE MID-EAST, ASKING ALSO THAT CHINA REFRAIN FROM SALES OF ARMS TO IRAN AND SPEAK OUT AGAINST THE USE OF CHEMICAL WEAPONS BY IRAQ. HE SHARED OUR ASSESSMENT OF THE SITUATION IN SOUTHERN AFRICA AND EMPHASIZED THE THREAT OF SOVIET INFLUENCE EXERTED THROUGH THE PRESENCE OF CUBAN TROOPS IN ANGOLA. HE DESCRIBED THE SITUATION IN CENTRAL AMERICA AND SAID CHINA SHOULD RECOGNIZE THAT THE U.S. WOULD NOT ALLOW THE SCIFFTS BY MILITARY MEANS TO GAIN ADDITIONAL PASTS IN CENTRAL AMERICA. HE BRIEFLY SUMMARIZED U.S. POSITIONS ON ARMS CONTROL ISSUES, NOTING THAT THE U.S. WAS INSISTING ON A GLOBAL APPROACH IN THE NEGOTIATIONS. FINALLY, HE REMINDED WU OF THE NEED TO BEAR IN MIND THE TRAGEDY OF RANGOON IN CONSIDERING THE KOREAN ISSUE.

5. ON BILATERAL ISSUES. THE SECRETARY AGREED THAT THE EXCHANGE OF VISITS HAD BEEN INVALUABLE BUT NOTED THE NEED TO GIVE SUBSTANCE TO THIS FRAMEWORK. HE EMPHASIZED THAT WE WOULD LIVE UP TO OUR COMMITMENTS UNDER THE COMMUNIQUE, JUST AS WE EXPECTED THE PRC TO LIVE UP TO ITS OWN, AND ENJOINED PATIENCE ON THIS ISSUE. TICKING OFF THE ISSUES RAISED BY WU, THE SECRETARY PROMISED A QUICK RESPONSE TO THE EXPORT CONTROL LIST THE CHINESE HAD PROVIDED; EXPLAINED THE NEED FOR CUSTOMS CONTROLS ON TECHNICAL PERSONNEL EXITING THE COUNTRY; CALLED FOR "SYMMETRICAL" TREATMENT OF THE CHINESE AND U.S. CONGEN'S; NOTED THAT THE CENTRIFUGE SEPARATOR WAS SPECIFICALLY EXCLUDED FROM THE NUCLEAR AGREEMENT AND SUGGESTED THE QUESTION

BE RAISED WITH AMBASSADOR KENNEDY; ASSURED WU OF THE AVAILABILITY OF NON-DISCRIMINATORY ACCESS TO FXIM CREDITS; PROMISED A QUICK ANSWER ON GSP; AND ASKED FOR A CONTINUED EFFORT BY THE PRC ON THE HUGUANG BOND CASE. END SUMMARY.

6. SECRETARY SULTZ AND FOREIGN MINISTER WU XUEQIAN MET FOR TWO HOURS ON THE MORNING OF APRIL 29 AT THE DIAOYUTAI GUEST HOUSE. PRESENT ON THE AMERICAN SIDE ALSO WERE AMBASSADOR HUMMEL, NSC ADVISOR MACFARLANE

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AND OTHERS. ON THE CHINESE SIDE WERE ALSO AMBASSADOR  
TO THE U.S. ZHANG WENJIN, VICE MINISTER OF FOREIGN  
ECONOMIC RELATIONS AND TRADE JIA SHI, MFA VICE MINISTER  
XU, AND OTHERS. A COMPLETE LIST OF PARTICIPANTS  
A VERBATIM TRANSCRIPT WILL BE PROVIDED SEPT.

7. AT WU'S SUGGESTION, HE BEGAN THE MEETING WITH AN  
BRIEF LONG PRESENTATION OF THE CHINESE POSITION ON ALL  
THE ITEMS ON THEIR AGENDA. BEGINNING WITH MIDDLE EAST  
ISSUES.

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18. THE SECRETARY THEN RESPONDED, GENERALLY ADDRESSING THE SAME AGENDA COVERED BY WU. IN REGARD TO ARAFAT, THE SECRETARY NOTED THAT THE U.S. HAD OBSERVED PART 7 OF THE PEZ RESOLUTION AND HAD TRIED TO CREATE CONDITIONS FOR KING HUSSEIN TO ENTER THE PEACE PROCESS. BUT AS YET HE HAD NOT AGREED. THE U.S. SUBSCRIBED WITHIN LIMITS TO THE PRINCIPLE OF SELF-DETERMINATION, BUT IN THE MIDDLE EAST, "SELF DETERMINATION" HAD BECOME A CODE WORD FOR AN INDEPENDENT PALESTINIAN STATE ON THE WEST BANK, AS ARAFAT KNEW WELL. THE U.S. DID NOT BELIEVE

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THIS WOULD BE A WORKABLE, SOVEREIGN ENTITY AND THOUGHT  
IT MORE SENSIBLE TO LOOK TOWARD AN AREA AFFILIATED  
WITH JORDAN.

DISCUSSIONS WITH HIM ARE THAT HE ACKNOWLEDGES THE RIGHT  
OF ISRAEL TO EXIST AND THE ROLE OF UN RESOLUTION 242 AS  
THE BASIS FOR WORKING TOWARD PEACE IN THE MIDDLE EAST.  
IF HE WERE TO MAKE SUCH DECLARATION WE WOULD BE GLAD  
TO INITIATE A DISCUSSION WITH HIM AT THE APPROPRIATE  
TECHNICAL LEVEL IN A U.S. EMBASSY, SUCH AS TUNIS, IN  
ORDER TO ARRANGE FOR DISCUSSIONS AT A POLITICAL LEVEL,  
PERHAPS WITH THE ASSISTANT SECRETARY FOR NEA OR  
AMBASSADOR MURPHY. WE COULD HAVE A DIALOGUE IF HE MEETS  
THESE CONDITIONS, ALTHOUGH HIS HABIT OF CLAIMING CREDIT  
FOR TERRORIST ACTS DOES NOTHING TO IMPROVE THESE  
PROSPECTS.

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19. THE SECRETARY NOTED THAT THERE WERE MAJOR CHANGES  
TAKING PLACE IN THE MID-EAST. IN LEBANON THE U.S.  
CONTINUED TO BE ENGAGED AND ALL FACTIONS SOUGHT OUT  
THE U.S. AMBASSADOR. THE U.S. HAD NO INTENTION OF  
BUILDING UP THE SOVIET OR SYRIAN POSITIONS THERE BUT  
WERE PREPARED TO SUPPORT THE EMERGENCE OF AN INDEPENDENT  
AND SOVEREIGN LEBANON, WHICH WOULD THEN HAVE TO FACE THE  
PROBLEM OF INTERDICTING PALESTINIAN ATTACKS ON ISRAEL  
ON SOUTHERN LEBANON. IN ISRAEL, CONCLUSION OF THE  
ELECTION CAMPAIGN WOULD OPEN OPPORTUNITIES FOR NEGOTIA-  
TIONS, WHICHEVER SIDE WON. IN THE MEANTIME THE U.S.  
WAS MAKING AN EFFORT TO IMPROVE THE QUALITY OF LIFE  
FOR PALESTINIANS; THEIR SUFFERING DID CONSTITUTE A MAJOR  
SCOURGE OF TENSION IN THE AREA. THE SECRETARY STATED OUR  
POLICY OF NEUTRALITY IN THE IRAN-IRAQ WAR AND OUR  
BELIEF THAT IRAN POSED THE GREATEST THREAT, PARTICULARLY  
TO THIRD COUNTRIES DEPENDENT ON GULF OIL. HE URGED THE  
COMMUNITY, AS WE HAD OTHERS, TO REFRAIN FROM ARMS SALES  
TO IRAN AND TO SPEAK OUT AGAINST THE USE OF CHEMICAL  
WEAPONS BY IRAQ.

THE SECRETARY CLOSED THE DISCUSSION OF  
MID-EAST ISSUES BY NOTING THAT THE PRESIDENT HAD FIRMLY  
EXPRESSED HIS OPPOSITION TO LEGISLATION MOVING THE U.S.  
EMBASSY IN ISRAEL TO JERUSALEM. THE PRESIDENT BELIEVED  
THIS MATTER FELL UNDER THE CONSTITUTIONAL PROVISION  
THAT THE PRESIDENT CONDUCT FOREIGN POLICY. HE HAD NO  
INTENTION OF MOVING THE EMBASSY UNDER PREVAILING

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CIRCUMSTANCES, ALTHOUGH WE WOULD LIKE TO SEE A  
RESOLUTION OF THE JERUSALEM ISSUE THROUGH NEGOTIATIONS  
BETWEEN ISRAEL AND THE ARABS.

SOUTH AFRICA: EXPRESSING OUR ABHORRENCE OF APARTHEID,  
THE SECRETARY EXPLAINED OUR POLICY OF ENGAGEMENT WITH  
SAC AND THE NEED TO TAKE A REGIONAL APPROACH TO SOUTHERN  
AFRICAN QUESTIONS BECAUSE OF ECONOMIC LINKAGES BETWEEN  
COUNTRIES IN THE AREA. THE U.S. HAD BEEN ABLE TO HELP

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EPING ABOUT THE ACCORD BETWEEN MOZAMBIQUE AND SAG AND THE FIRST TENTATIVE STEPS IN THE DISENGAGEMENT BETWEEN SOUTH AFRICA AND ANGOLA. WHILE THE U.S. SUPPORTED RESOLUTION 435 ON NAMIBIA AND RECOGNIZED THE ISSUE ON ITS OWN MERITS, REALISTICALLY WE KNOW SAG WOULD NOT GO ALONG IF IT SAW NO PROSPECT FOR THE REDUCTION IN THE THREAT OF INCREASED SOVIET INFLUENCE IN NAMIBIA WHICH THESE CUBAN TROOPS REPRESENTED. WE SHARE THIS VIEW OF THE CUBAN ROLE. THERE HAD BEEN QUITE A LOT OF PROGRESS IN GETTING THE ANGOLAN GOVERNMENT TO CONFRONT THE PROBLEM OF CUBAN TROOP WITHDRAWAL. THE KEY TO SOLVING THE PROBLEM LAY MORE WITH UNITA AND SAVIMBI, NOW VERY POWERFUL, THAN WITH THE SAG; THERE HAD TO BE A RECONCILIATION IN ANGOLA IF A MORE STABLE SITUATION IS TO EMERGE.

21. CENTRAL AMERICA: DEPARTING FROM WU'S LIST OF ISSUES, THE SECRETARY REVIEWED THE CENTRAL AMERICAN SITUATION, NOTING THE IMPORTANCE OF THE MAY 6 SALVADOREAN ELECTIONS; U.S. SUPPORT FOR THE CONTRADORA NEGOTIATING PROCESS; AND THE USE BY THE SOVIETS AND CUBANS OF NICARAGUAN COMMAND POST FOR OPERATIONS AGAINST EL SALVADOR. HE STRESSED THAT CHINA SHOULD RECOGNIZE THAT THE U.S. WILL NOT ALLOW THE SOVIET UNION BY MILITARY MEANS TO GAIN ADDITIONAL BASES OR POSITIONS OF STRENGTH IN CENTRAL AMERICA OR ANYWHERE IN THE WESTERN HEMISPHERE.

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FOURTH. FOREIGN NATIONALS OF ALL COUNTRIES INVOLVED IN HIGH-TECH AREAS WERE ROUTINELY SUBJECT TO BAGGAGE INSPECTION, JUST AS FOREIGNERS LEAVING CHINA WERE SUBJECT TO INSPECTION TO ENSURE THEY WERE NOT TAKING ANTIQUES OUT OF THE COUNTRY. WHERE THE DOCUMENTS CONFISCATED WERE NOT SENSITIVE, THEY WOULD BE RETURNED. IN THE FUTURE IT MIGHT BE USEFUL FOR CHINESE VISITORS TO GET QUESTIONABLE MATERIAL CERTIFIED IN ADVANCE, SO THAT THERE WOULD BE SOME GUIDE FOR CUSTOMS OFFICIALS.

27. CONSULATES GENERAL OPENINGS: THE U.S. ALSO WAS ANXIOUS THAT THESE CONSULATES OPEN, BUT FELT IT SHOULD BE DONE SYMMETRICALLY. AMBASSADOR HUMPHREY ADDED THAT THE CHINESE SIDE WAS NOW REQUESTING US TO SET A DATE FOR THE OPENING OF CHICAGO BEFORE WE COULD HAVE FURTHER DISCUSSIONS WITH THE SICHUAN AUTHORITIES ABOUT FACILITIES FOR OUR CONSULATE IN CHENGDU. THIS WAS AN IMPOSSIBLE CONDITION SINCE THE DATE COULD NOT BE SET UNTIL WE KNOW WHEN FACILITIES COULD BE CONSTRUCTED. THE SECRETARY SUGGESTED OTHER OUTSTANDING CONSULAR PROBLEMS (I.E., VISAS) BE SOLVED, EITHER THROUGH DISCUSSIONS WITH THE ASSISTANT SECRETARY FOR CONSULAR AFFAIRS JOAN CLARK OR THE AMBASSADOR.

28. EXIM CREDIT: THE SECRETARY POINTED OUT THAT THESE

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22. ARMS CONTROL: THE SECRETARY NOTED THAT MOST OF OUR WIDE-RANGING ARMS CONTROL DISCUSSIONS WERE GOING FORWARD; THE MAJOR EXCEPTIONS WERE THE TWO NUCLEAR ARMS NEGOTIATIONS. U.S. POSITIONS WERE REASONABLE AND FLEXIBLE. AT THE U.S. WOULD NOT ACCRUE TO UNREASONABLE DEMANDS

FOR THE SAKE OF AN AGREEMENT. IN THE NEGOTIATIONS WE KEPT IN MIND BOTH U.S. INTERESTS AND THOSE OF OUR FRIENDS AND ALLIES; THUS THE U.S. WOULD CONTINUE TO INSIST ON A GLOBAL APPROACH. RESPONDING TO A PROPOSAL FROM THE SECRETARY, THE CHINESE SIDE AGREED TO THE VISIT OF ACDA DIRECTOR ADELMAN FOR FURTHER DISCUSSIONS OF THESE ISSUES AT A DATE TO BE DETERMINED. MR. MACFARLANE NOTED U.S. GRATIFICATION AT THE INTEREST OF THE CHINESE SIDE IN ARMS CONTROL QUESTIONS, AS MANIFESTED BY THEIR JOINING OF THE IAEA AND ACTIVE PARTICIPATION IN THE GENEVA TALKS. HE PERCEIVED A MUTUAL UNDERSTANDING THAT GREATER INTERNATIONAL STABILITY WAS ESSENTIAL AND THAT ARMS CONTROL CAN FURTHER THAT AIM. THE PROPOSED VISIT TO BEIJING BY ACDA DIRECTOR ADELMAN WOULD BE VERY USEFUL IN THIS CONNECTION.

23. KOREA: THE SECRETARY REMINDED WU THAT THE LATE FOREIGN MINISTER LEE HAD BEEN A PERSONAL FRIEND, AND HIS WIFE A PERSONAL FRIEND OF MRS. SEULTZ'S.  

THE DEATH OF FONMIN LEE WAS HARD FOR THE SECRETARY TO GET OVER. WU SHOULD CONSIDER HOW MUCH HARDER IT MUST BE FOR THE SOUTH KOREANS, FOR WHOM THIS HAD BEEN A TERRIBLE AGEDY.

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24. BILATERAL RELATIONS: THE SECRETARY AGREED THAT THE EXCHANGE OF VISITS BETWEEN THE PRESIDENT AND PREMIER ZHAO HAD BEEN INVALUABLE IN SETTING A TONE. IT WOULD BE UP TO THESE PRESENT TO GIVE MOMENTUM TO THE RELATIONSHIP. HE WOULD BE GIVING A GREAT DEAL OF PERSONAL ATTENTION TO ALL OF THE ISSUES DISCUSSED THAT MORNING. GOOD RELATIONS WERE A FUNCTION OF SUBSTANCE; ATMOSPHERICS DID NOT SUFFICE.

25. TAIWAN ARMS SALES: NOTING WU'S COMMENTS, THE SECRETARY SAID WE UNDERSTOOD OUR COMMITMENTS UNDERTAKEN IN THE VARIOUS COMMUNIQUE, INCLUDING THE AUGUST 17 COMMUNIQUE, IN THE NEGOTIATION OF WHICH HE AND MR. MACFARLANE HAD BEEN INVOLVED. WE EXPECTED TO LIVE UP TO THESE COMMITMENTS, JUST AS WE EXPECTED THE CHINESE GOVERNMENT TO LIVE UP TO ITS COMMITMENTS UNDER THESE COMMUNIQUE. DESCRIBING IT AS A "CHINESE VIEW," THE SECRETARY SAID THAT IN THE IMMEDIATE FUTURE WE MUST BE

CAREFUL TO ACT IN ACCORDANCE WITH THE COMMUNIQUE; OVER THE LONG TERM PATIENCE WAS ESSENTIAL, AS WAS PEACEFUL RESOLUTION OF THE TAIWAN ISSUE. WE HOPED THIS WOULD BE PLACE.

26. SAN FRANCISCO AIRPORT INCIDENTS: THE SECRETARY SAID THAT RUDENESS WAS INEXCUSABLE AND THESE INCIDENTS WOULD BE INVESTIGATED. BECAUSE OF THE OPENNESS OF U.S. SOCIETY,

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CREDITS FOLLOWED OFCD RATES AND WERE NOT TRULY CONCESSIONAL. THEY WERE, HOWEVER, AVAILABLE TO CHINA ON A NON-DISCRIMINATORY BASIS. THE RESTRICTION CITED WU COULD BE HANDLED BY PRESIDENTIAL WAIVER AND DID NOT CONSTITUTE A PROBLEM. PASSAGE OF CURRENT FOREIGN ASSISTANCE LEGISLATION WOULD ELIMINATE ONE ASPECT HE HAD MENTIONED.

29. NUCLEAR FUEL CYCLE: THE SECRETARY SAID THAT WU MIGHT NOT REALIZE THE EXTENT OF CONTROLS REQUIRED FOR THE SALE OF EQUIPMENT FOR THE MORE SENSITIVE PORTIONS OF THE NUCLEAR FUEL CYCLE SUCH AS THE CENTRIFUGE SEPARATORS. SUCH EQUIPMENT WAS EXCLUDED FROM THE NUCLEAR COOPERATION AGREEMENT. AMBASSADOR KENNEDY WOULD BE ARRIVING THAT AFTERNOON AND THIS QUESTION SHOULD BE DISCUSSED WITH HIM, ALTHOUGH IT WAS VERY UNLIKELY SUCH A SALE COULD BE ARRANGED.

30. TECHNOLOGY TRANSFER: THE SECRETARY AGREED THIS WAS AN AREA OF MAJOR ACHIEVEMENT. WE WOULD STUDY THE CHINESE LIST OF PROBLEMS. THERE WERE OTHER AREAS WE WISHED TO WORK ON, INCLUDING COCOM. WE WANTED THE TECH TRANSFER PROCESS TO GO SMOOTHLY.

31. TRADE ISSUES: ON GSP, THE GATT REQUIREMENT WAS DIRECTED NOT AGAINST CHINA BUT REFLECTED ONLY THE DIFFICULTIES IN MAKING TRADING ARRANGEMENTS BETWEEN MARKET AND NON-MARKET ECONOMIES. THE SECRETARY SAID HE WOULD ASK COMMERCE UNDERSECRETARY OLIVER TO PROVIDE A CHINESE SIDE WITH WRITTEN MATERIAL ON THIS POINT, AND ON THE SHIPPING QUESTION, BEFORE THE PRESIDENTIAL PARTY LEFT CHINA.

32. HUGUANG BONDS. THE SECRETARY CONCLUDED BY ASKING THE CHINESE SIDE TO CONTINUE TO WORK CLOSELY WITH THE U.S. ON THIS ISSUE. WE RECOGNIZED THE CHINESE PROBLEMS IN THIS AREA, BUT WE HAD WORKED WELL TOGETHER ON THIS IN THE PAST AND WERE WELL ON THE WAY TO RESOLVING THE ISSUE. THIS EFFORT SHOULD BE CONTINUED.

33. FOREIGN MINISTER WU EXPRESSED APPRECIATION FOR THE SECRETARY'S PRESENTATION AND SUGGESTED VICE MINISTER HAN XU MIGHT BE ABLE TO RESPOND TO SOME POINTS AT A LATER TIME WHILE TRAVELING WITH THE SECRETARY.

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